# SUGGESTIONS

## RELATING TO THE SUBJECT

OF

## A RESUMPTION

OF

# SPECIE PAYMENTS.

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## EXPLANATORY NOTE.

Some months since the writer of this pamphlet printed an outline plan for the gradual resumption of specie payments. The leading features of the plan were purposely presented in a brief and concise form, that business men might be induced to read the suggestions, although the subject had become somewhat tedious. The plan has met with so much favor among those who have given it reflection, that he is encouraged to pursue the theme—not only to elaborate the prominent points,—but to answer some of the few objections which have been made to it. The writer has by submitting the plan in pamphlet form had the benefit of intelligent criticism, and has availed of several suggestions received in this way, to modify and amend the original paper. The currency question, although discussed to such an extent as to become tiresome perhaps, is nevertheless one of absorbing interest to business men,—a question upon the solution of which impend issues of the most vital importance. The business interests of the whole country are to be influenced in a great measure in this, and perhaps the next generation, by the policy we finally adopt, and it is wise to consider the subject patiently and carefully. The numerous plans drawn out in the discussion, may prove suggestive of valuable points, and the reflections of business men may be brought to the aid of our law makers, to the advantage of the people.

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New York, April 6, 1868.

# THE RESUMPTION OF SPECIE PAYMENTS.

The process of returning to a specie basis, whether by attempting the change at a fixed period, or by redeeming currency gradually, at fixed rates for the gold given in exchange, or by any plan which may be devised, is one of great difficulty. Disturbance in market values, hesitation and uncertainty among business men, monetary crises and mercantile failures, are the fruitful offspring of great financial changes; but these may be more or less violent, according to the nature of the plan which produces the change, and under which the restoration of specie payments may be attempted.

The case under consideration, is not unlike that of an invalid suffering from a prostrating disorder, for whose relief we are desirous of prescribing. Perhaps no case in the history of medicine ever caused more disagreement among the doctors, than the question of a return to specie payments provokes among the financial physicians of the times, and as in the practice of medicine, each seems wedded to his pet theory to the exclusion of all others. So with the sick man, over whose condition Allopathic, Homœopathic and Hydropathic practitioners dispute, while the patient grows weaker as the consultations are protracted.

Which opinion among the multitude of counselors shall we take?

The patient is weak; shall we reduce him still more by bleeding and purging, or shall we endeavor to strengthen and build him up by gentle remedies, husbanding carefully the vital resources he has, until with diet, and gradual exercise he stands firmly upon his feet, aided by nature acting upon a sound constitution? Violent remedies may bring him to the brink of the grave, while the application of mild and soothing prescriptions can do no material injury, and may speedily restore health. To judge as to which kind of treatment is likely to be most effective, requires a thorough knowledge of the case, and to

acquire this, it must be closely studied; even then, without practical experience in such matters, the student may be misled by plausible theories, and thus form a judgment based upon error. If the case has precedents, we may gain a clue to the remedy; but if we find a precedent upon which we may base our treatment, we shall probably discover, that although the general features are similar, there are points entirely different.

View the subject as we may, study all the opinions of learned Doctors, and look carefully at the precedents, investigate, analyze and reason, and the more attention we give it, the more we are bewildered by the conflict of ideas and evidences. Thus in the great problem of our times, we are involved in a labyrinth of opinions and plans, many of which contain excellent points, some of which are brilliant essays on political economy, full of learning and research, and all of which, no doubt emanate from earnest men, who desire only to aid in extricating the country from the evils of an inconvertible paper currency. Business men read,—find much to condemn, and much to approve; but still fail to be convinced of the practicability of plans which do not strike at the root of the troubles they encounter daily, in conducting and shaping their own affairs. However profound men may be in theories, however much learning they may display in treating the subject, the judgment of a thorough, practical business man, as to the working of any scheme in its application to general business, is far more likely to be correct than any formed upon theoretical knowledge, and we may go even further, and say that where the theory or plan fails to meet the approval of business men, it can scarcely have a chance of success. It may be difficult for them to expose the defects of a plan, and to explain why they distrust its practicability, but there must be sound reasons for opposition when they fail to be satisfied with it, and are unwilling to try it.

How then shall we meet this difficulty? Can any plan be devised, which, founded upon sound financial principles, may at the same time command the confidence of business men, as well as their hearty support? If so, the great problem is solved, and we need not fear to make the attempt upon such a plan It is our purpose to show that correct financial principles and practicability may be united in measures to restore the country to a specie basis, but before discussing this point, it may be profitable to consider some of the prominent plans and propositions which find advocates of intelligence and zeal.

First we have the class of men who insist upon an immediate return to the specie basis, by proclamation of Government. They would have it announced, that on and after a certain date, the sooner the better, the Treasury will redeem legal tender notes in coin at par. Let the crisis come, they say—there will be no doubt, a great deal of distress and many failures; but this trouble will soon disappear; the country is rich and strong, and can bear these temporary afflictions It needs, they argue, but the resolution to do it at once, and the thing is done. We must suffer whenever resumption takes place, and it will be far better to meet the case now, than to postpone to an indefinite period the evil day. Gold reduced to its par value, will it is true, unsettle the value of merchandize, but the necessaries of life will fall also, and the laboring man may buy his flour, beef and pork at fair rates, even if he is obliged to take a little less for his labor. Let us then have the courage to eradicate the disease at once, and pursue no longer a vacillating policy. Thus reason the stern philosophers, who would legislate us into an immediate resumption. It looks superficially like a courageous and determined policy, a simple but resolute, although admitted to be a somewhat painful operation.

Let us examine this proposition We will assume, for the purpose of argument, that the market price of Gold is now 140, and that by act of Congress, the Treasury will be obliged to redeem legal tender notes in gold, dollar for dollar, on and after July 1st next. We will assume also that the Treasury has an amount of one hundred millions of dollars in its vaults, and that on this basis we are to commence the redemption. The primary result of such a law, would no doubt be a very decided decline in the market value of gold, and we will admit, to continue the argument, that before the time fixed for redemption, the market price will fall to near par. With such a result, what changes in the business world would at the same time occur, and what would be the effect upon our financial affairs?

First, we should suffer a very serious shrinkage in the value of every description of merchandize, to the ruin of a large number of merchants and manufacturers, and to the great distress of all. Second, a run upon the National Banks for legal tenders, in redemption of their notes, upon the supposition that while Government may redeem the legal tenders in gold, the National Banks cannot follow the example in redeeming their notes, and that consequently legal tenders will be worth more than National Bank notes. Third, a contraction

of currency by the National Banks as their notes are presented for redemption—an almost entire cessation of discounts to make this contraction, and to enable them to keep the required per centage of legal tender reserves.

Fourth, the "pulling and hauling" throughout the business community to meet the consequences of a stoppage of bank facilities, and of the decline in the value of merchandize.

Changes in the business world like these, can never take place without introducing one of the most fearful panics this country has ever experienced. Bankruptcy would be the rule, business would stagnate, and the shock to the industrial interests of the country would be terrible. The revenues of the Government under such a paralysis of business would probably suffer a diminution, sufficient even to render it uncertain if the interest on our funded debt could be collected, and such would be the suffering and poverty of the entire mass of the people, that a whirlwind of indignation would sweep over the land. Government would be compelled to stop such a suicidal policy, first because it could not maintain the redeeming power, and second, because it could not stand against such unmitigated distress among its people. A necessary consequence too would be the forcing of Government stocks upon the market by the people to relieve themselves of distress and by the National Banks to protect their currency. A severe decline in the market value of Government securities would follow, and Government credit would be put to the strongest test to which it can be subjected—viz: that of maintaining itself without the support of the people, from whom its whole strength is derived. Such in our judgment would be the consequences of an attempt to resume specie payments by proclamation, even if the first result should be a decline in gold to a par with legal tenders.

But let us take another view. Suppose that the people at the outset, knowing the specie strength of the Treasury, and knowing the consequences of the attempt, in producing distress and ruin, conclude that Government will fail in its attempt. In such a case gold would not decline to par, and the gold in the Treasury would be depleted as fast as the legal tenders could be gathered, and the constant drain encouraged by gold speculators, would soon exhaust the Treasury and endanger its interest payments on government bonds. Then would commence a retrograde movement—the Treasury would be compelled to discredit its own notes, and gold would inevitably advance to a

higher premium than before. Take either horn of the dilemma, and the result is the same—failure.

It may be said that we picture consequences which would not be realized, but the more the subject is examined, the more, we feel persuaded, will it be admitted that the results we have predicted will naturally follow any attempt to resume specie payments—the first steps toward which of necessity cause the greatest alarm and distress. It is evident that when Government attempts to resume specie payments upon a basis of one dollar in gold to four or five of legal tender circulation, it can only succeed in such an attempt by inspiring the holders of those notes with confidence in the ability of the Treasury to perform the task it has undertaken. If this confidence is lacking, it is certain that the effort would be unsuccessful. But even were it possible for the Treasury to redeem legal tenders, by the accumulation of gold in the Treasury, it would be a foolish experiment unless the National Bank currency should be provided for at the same time. For these reasons, we regard it to be a very unsound and even dangerous proposition.

Another plan has been ably advocated, which suggests the stoppage of sales of gold by the Secretary, so that gold may accumulate in the Treasury until it amounts to the sum requisite to redeem the legal tender issues. What would be the effect upon the gold market while that process was in trial? Gold hoarded to the extent of two or three hundred millions, while great doubts prevailed as to the success of the experiment, and while importers were obliged to purchase gold to pay duties, would give to the gold speculators just the opportunity they desire to operate upon the market value of gold—an opportunity just such as is afforded by the scarcity of the article to be dealt in,—and its rapid advance would be certain. Then again, this plan fails to make any provision in regard to the National Banks, and this point seems vital to the business interests of the country.

Still another plan which has been introduced in Congress, provides for the gradual redemption of legal tenders in coin, at rates receding one-half of one per cent. every month, until at the end of about two years, the redemption will be at par. The objections to this are first, the rapidity of the redemption—even were it practicable to redeem during the time fixed; second, the rapid contraction of the legal tender currency, on account of its accumulation in the Treasury, and third, its failure to provide for the National Bank notes. It is useless to mention other schemes, these will

suffice to illustrate the kind of legislation asked for in nearly all, as all fail to meet one of the greatest obstacles in the way of resuming specie payments, as presented by the National Bank currency.

It seems evident that schemes providing for the redemption of legal tender currency in coin, without embracing some plan for redeeming also the National Bank notes, so that at the same time we may feel sure that the redemption of the latter is quite as certain as that of the former, are inconsistent with the business interests of the country, and therefore unsound.

The National Bank currency is founded upon the credit of Government, secured as it is by pledges of 5-20 bonds at ninety per cent. of their par value. In point of fact then, the only question as to the ultimate safety of the National Bank currency is that involved in the question of the ultimate safety of the Government bonds. If Government bonds are worth ninety per cent. of their par value, the currency founded upon them is perfectly good. How much better then is a legal tender note, which is simply the promise of Government to pay on demand without interest, than a promise to pay at a future date *with interest*, by the same Government? The only difference is, that one is made a legal tender by law, and can be used as money in the payment of debts, while the other must be held, or sold at market rates. The interest bearing security which is pledged at ninety per cent. for the redemption of National Bank currency, ranks in the market, however, from seven to ten per cent. above the legal tender note, hence so far as actual security decides the case, the National Bank note is more strongly protected than the legal tender.

National Bank notes being thus secured, and obtaining circulation upon the basis of Government Bonds, should be taken into view, whenever specie resumption is determined upon, as a part of the credit machinery of Government, constructed to meet its wants in a time of extraordinary peril. The change from our old banking system to that of the National Banks, was in fact equivalent to a compulsory measure, Government resorting even to taxation of the former circulation, to oblige the Banks under State charters, to change to the new system. This having been accomplished, and Government having thus created buyers for nearly four hundred millions of bonds, it would be a most ungrateful proceeding to travel in the direction of specie payments, without pointing out the way for the National Banks at the same time. It would moreover be a suicidal policy to make laws in regard to a return

to specie payments, which would cause a discrimination to be made at once, between the two kinds of currency;—not only because such a course might compel the sale of the bonds pledged, to the detriment of Government credit, but because discrimination between the two kinds of currency would be equivalent to a contraction, and that would be productive of monetary trouble enough, probably, to defeat the measures adopted.

If then, Government bonds are good, the National Bank currency is good, and as discrediting that currency would result in discrediting Government, we hold that the two kinds of currency are so closely allied, that Government cannot afford to cause its people to regard the one as good for specie, while the other is doubtful. And if this is not enough, we hold that Government cannot allow its supporters to undergo the business derangement which would result from a discrimination between the two.

But if the National Bank currency is included in a plan of resumption, we have an aggregate circulation of about six hundred and seventy millions to provide for, and it would be difficult to satisfy any one that Government could safely undertake to redeem at par, at a time when gold bore a large premium in the market. With one hundred millions of gold in the Treasury, there might be as much ability to redeem as our Banks possessed prior to the war—but even with greater resources to redeem, it would be impossible to succeed unless the people had confidence that the undertaking could be carried out; and this faith in the success of the measure would be weak or strong according to the apparent feasibility of the task.

Thus, for example, if we commence redemption at or near the then ruling price of gold in the market, with a stock of one hundred millions in the Treasury, it would appear quite practicable to carry out the scheme, because at the large premium on gold no ordinary demand could exhaust such a sum, and it would be a most difficult and hazardous undertaking on the part of gold speculators, to attempt its exhaustion at a price which would involve them in such heavy losses if they were unsuccessful. This principle would hold gold in every stage of the redemption, until gold and paper approximated very nearly in market value, and then the previous success of the measure would deter any speculation against the growing financial strength and resources of the Government. The sale of ten or fifteen millions of gold, or the payment of five or eight millions of interest will even now have a marked effect upon the

price of gold, and we may conclude that a reserve of one hundred millions waiting a market at the option of holders of paper currency will have a much greater effect, and give confidence to the people in the certainty of redemption as proposed.

This simple element of confidence, is in fact at the root of the whole matter, and if we fail to command this in any measures we adopt, failure may be safely predicted.

In 1857 the Banks suspended specie payments, because they were unable to redeem circulation and deposits. At the time of suspension the liabilities of New York City Banks were as follows:

| | |
|---|---|
| Deposits | $63,000,000. |
| Circulation | 7,500,000. |
| | $70,500,000. |
| Against Specie to the amount of | $11,476,000. |

In two months thereafter when resumption took place the condition of the same was as follows:

| | |
|---|---|
| Deposits | $75,000,000. |
| Circulation | 6,300,000. |
| | $81,300,000. |
| Against Specie | $26,000,000. |

It is evident from these statements, that although the specie strength of the City Banks had increased between the periods of suspension and resumption, from a ratio of one dollar in specie to about six dollars of deposits and circulation to that of one dollar to about three; yet in point of real ability to respond against the drafts of an alarmed public, it was by no means secure. If the statements of Country Banks at the same periods could be given, they would probably show, that in point of fact the Banks had no greater strength to respond at the period of resumption than at that of suspension, yet there was no difficulty in resuming.

The panic had passed away: people saw its folly, and had confidence in the ability of the Banks to carry out resumption to any amount required by a natural demand. The lack of confidence caused the suspension, and its re-establishment enabled the Banks to resume. Precise-

ly as it was with our Banks in 1857 and 1858, so will it be with Government, whenever the attempt to resume specie payments upon a sound basis is made. If we attempt resumption upon some plan which business men deem to be impracticable, and thus shake confidence in it at the outset, we may be sure that such a plan will fail.

In order to connect arguments with the basis, and to bring the subject fairly before the reader, the outline plan, which has already been printed and circulated to a moderate extent, is now presented with some modifications and additions.

A PLAN FOR THE GRADUAL RESUMPTION OF SPECIE PAYMENTS.

On and after July 1st, 1868, the Secretary of the Treasury shall, upon demand, exchange gold coin for legal tender notes of the United States, at the rate of one dollar in gold for one dollar and thirty-eight cents in said notes, at the office of the Assistant Treasurer of the United States, in the city of New York.

On and after October 1st, 1868, the Secretary shall exchange at the rate of one dollar in gold for one dollar and thirty-five cents in legal tender notes.

| | | | |
|---|---|---|---|
| On and after | Jan'y 1st, | 1869, at | $1.33 |
| " " | July 1st, | " " | 1.30 |
| " " | July 1st, | 1870 " | 1.25 |
| " " | July 1st, | 1871 " | 1.20 |
| " " | July 1st, | 1872 " | 1.15 |
| " " | July 1st, | 1873 " | 1.10 |
| " " | Jan'y 1st, | 1874 " | 1.05 |
| " " | July 1st, | " " | 1.00 |

After the passage of this Act, all gold coin paid into the Treasury from customs, or from other sources, shall be retained by the Secretary of the Treasury; first, for the payment of interest on the public debt, and, second, for the redemption of legal tender currency, as above provided, and all authority hitherto given to the Secretary to sell gold coin shall cease from the passage of this Act.

The legal tender notes exchanged, or redeemed under the foregoing provisions, shall not be cancelled, but retained in the Treasury to be paid out for Government expenditures whenever required, or in exchange for National Bank notes, as hereinafter provided.

Legal tender notes of the United States shall be exchanged by the Secretary of the Treasury for National Bank notes, dollar for dollar, whenever presented by the Banks issuing said notes, after July 1, 1868, to the extent of the legal tender notes in the Treasury; the Secretary retaining the Bonds pledged for the redemption of the said National Bank notes as security for the legal tender notes thus exchanged. The National Bank notes thus exchanged shall also be retained by the Secretary for the period of six months from the time of the exchange, during which period the National Banks shall have the privilege of returning legal tender for the said National Bank notes. If said notes are not exchanged during that period, the National Bank notes shall be cancelled by the Secretary, and the bonds shall be surrendered by the National Banks upon the further payment in legal tenders to the full amount of said bonds and accrued interest.

On and after July 1, 1868, the Secretary of the Treasury shall redeem National Bank notes in legal tender notes, dollar for dollar, whenever presented by the Banks issuing said notes, to the full extent of the issues of said National Banks; provided however, that when so redeemed, the Bonds pledged for the redemption of the National Bank currency shall be surrendered to the Treasury—the Treasury at the same time paying the National Banks in legal tenders the difference between the amount at which the Bonds are pledged and their par value and accrued interest. When the National Bank notes are thus redeemed, they shall be entirely withdrawn from circulation, and cancelled.

National Banks availing of this privilege of exchange, as provided in the foregoing section, and having under the provisions of that section, surrendered bonds, shall forfeit all right to issue further National Bank currency, by new pledges of Bonds.

To carry out the provisions of this Act, the Secretary of the Treasury shall be authorized to issue new legal tender notes beyond the amount now authorized, to the extent of Bonds surrendered in the Redemption of National Bank currency, and accrued interest on said Bonds.

The Secretary of the Treasury shall have power to invite and receive deposits of gold coin, and to pay such rates of interest thereon as he may deem expedient, provided however, that such deposits shall not be with-

drawn without ten days' notice. This power to cease whenever the legal tender notes shall be withdrawn and canceled.

The plan herewith submitted, is partly based upon Sir Robert Peel's bill for the gradual resumption of specie payments by the Bank of England, and the provisions of the first part are essentially of the same character;—but looking at our National Bank currency as in some respects analogous to country banks and bankers in Great Britain at that time, and desiring to avoid the evils which might result from the rigid application of such an act, the provisions in regard to the redemption of National Bank currency are introduced, as vitally essential to the carrying out of the first part, without causing wide-spread commercial distress and ruin.

It is self-evident that confidence in the value of the paper dollar, is the basis of the valuation of the gold dollar, and it is equally evident, that if we are pledged to redeem the paper dollar in gold at a fixed rate, and if people are confident that we can redeem at that rate, the value of gold, estimated in currency, will fall to that rate, and probably below,—because at a fixed period beyond, it is certain, that the Treasury will redeem at a lower rate.

Upon this natural law, the system of gradual redemption is founded. For example, if the Treasury is pledged to redeem legal tenders in coin at 138 July 1, 1868, and it is believed that the Treasury has the ability to redeem at that rate, it is certain that by July 1, 1868, gold will fall in market value to 138, if not below that rate, and it is probable that but few notes would be presented for redemption. The redemption of legal tenders at 135 in three months thereafter, equally insures the decline of gold to that point, or under, and so on through the sliding scale of redemption.

The great obstacles to an immediate, or very early resumption of specie payments, and those which appear formidable enough to prevent the success of such an attempt are:

*First.* The rapid decline in values of all commodities regulated by the market price of gold,—the very general panic and mercantile disaster which would follow such a sudden decline, and a period of suffering and distress in manufacturing and other business;—the consequence of

which would be a most serious, if not fatal, reduction in the revenues of the Government.

*Second.* In the National Bank currency, which must, by law, be made secure in reserves, and which must, of necessity, be made equal in value to legal tenders, whenever resumption is attempted. Any effort to resume without providing for the National Bank currency, beyond the present laws, would utterly fail, because it would be impossible for the National Banks, without the aid and co-operation of the Treasury, to maintain reserves in legal tenders sufficient to redeem their notes, except by forcing Government Bonds upon the market, and even with that resource, it is extremely doubtful if sales could be made rapidly enough to meet the run upon their legal tender reserves, especially when the panic and alarm, which must ensue from a rapid contraction of National Bank currency, is taken into consideration.

It seems obvious, then, that whenever any plan of resumption is adopted, the provisions of that plan must be made applicable to National Bank notes as well as to legal tenders.

The first of these obstacles is met, in the present plan, by proposing to redeem gradually in gold at rates regulated by a sliding scale, and the second, by permitting the exchange of National Bank notes for legal tenders, to the extent of the same on hand in the Treasury, and also giving the National Banks the privilege of exchanging to the entire amount of their issues in legal tenders, by surrendering bonds pledged.

The effect of these provisions will be to guarantee to the public an amount of currency sufficient to meet the wants of the business community, if those wants do not exceed the present amount of both legal tenders and National Bank notes, and at the same time to inspire confidence in the National Bank currency.

The gradual redemption of legal tender currency in coin, at a fixed rate, will then necessarily reduce the price of gold to that rate, while the National Bank currency by reason of the privilege of exchanging for legal tenders, becomes equal in value to them, and we thus avoid the discrimination in currency which would otherwise be made.

The desire to return to a specie basis is universal; all acknowledge its desirability and all admit its ultimate necessity, but the impracticability of arriving at this point by the adoption of measures which almost at the outset paralyze the business and industrial interests of the country, is forcibly illustrated in the contraction of legal tender currency which has already taken place.

The ability of the Government to resume in any event, is to be measured by the confidence of the people in any plan of resumption, and it is certain that distrust and alarm among the people would tend to defeat any measure producing such an effect.

To distress the business community, is to cause alarm and distrust, and therefore defeat, and hence it becomes absolutely necessary to adjust the machinery of resumption in such a manner, that it may harmonize as much as possible with the business interests of the country, working to the desired end gradually, but surely, nourishing the revenues which support Government, instead of destroying them, and accomplishing this by diffusing confidence among the people, stimulating business, encouraging enterprise, and spreading cheerfulness and hope instead of despondency and gloom.

It is claimed that this plan embraces essentially, these features, and that its adoption will accomplish the desired purpose, at as early a period as possible, consistently with the interests of the business community. First, because it contemplates a gradual redemption, by the natural accumulation of gold in the Treasury, while at the same time it guards against contraction of the currency; second, because it provides for the redemption of National Bank currency; and third, because it establishes uniformity in the market price of gold for specified periods, and thus enables business men to make their calculations with certainty, and at the same time restores activity in trade, and increases the revenues of Government by promoting prosperity among the people from whom those revenues are derived.

The Bank of England suspended specie payments in 1797. Peace was proclaimed in 1815, and in 1817 the directors of the Bank, to test the feeling of the public with regard to metallic payments, announced that after the 2d of May of that year they would pay cash for all their notes of one and two pounds dated prior to Jan'y 1st, 1816, and in October of the same year a further notice was issued, that they would pay gold for all their notes dated prior to January 1st, 1817. At this period the value of the bank paper was about $2\frac{1}{2}$ per cent. below that of bullion, having risen from a depreciation of $16\frac{3}{4}$ per cent. in 1815 and 1816.

The highest price of gold in Great Britain during the war, or rather the greatest depreciation of the bank paper, was during 1812 and 1813, when the price of gold was quoted at £5.10.0—a difference of 41 per cent. from mint prices. Thus, it will be observed that the greatest depreciation of the bank paper was not far from the rate now ruling in this country, after three years of peace. Scarcely any demand was made upon the bank coffers for gold, in the first of these experimental measures, so great was public confidence in the ability of the Bank to redeem. The amount of gold called for on one and two pound notes, was not over one million, but when the Bank offered to redeem all notes prior to a particular date, speculators took advantage of it, and sent more than five millions to the Continent. This caused the interference of Parliament, and the Bank was restrained from paying the notes alluded to.

Mr. Peel's currency bill was passed in 1819, and although carried by a large majority, it met with considerable opposition while under deliberation. Mr. Peel's father, Sir Robert Peel, among others, opposed the measure, and presented a petition from the merchants of London against it. One writer "who possessed considerable weight with the public, confidently affirmed that the carrying out of the measure which prescribed the bank to pay the bullion at mint prices, on the first of May 1822, would be attended with most unfortunate circumstances to the country. His assertion, for the fulfilment of which he offered to stake his life, had not long been made known, when the Bank came forward, begging that they might be permitted to anticipate by a year the term fixed on for their payment in coin." *

Mr. Peel's bill provided that from the 1st of Feb'y to the 1st of

* Francis' History of the Bank of England.

October 1820, the Bank should deliver on demand, gold of standard fineness not less than sixty ounces, in exchange for bank notes, at £4 1s. per ounce. From the first of October 1820 to the 1st of October 1821, at the rate of £3 19s. 6d. per ounce. From the 1st of May 1821 to the 1st of May 1823 the mint price of gold of £3 17s. 10½d. to be the rate, under the same plan, and from the 1st of May 1823, the notes to be paid in the gold coin of the empire if required. Instead of availing of their option, to redeem under the provisions of the bill to May 1st, 1823 at the rates specified, the directors of the Bank commenced paying on the 1st of May 1821 after a suspension of a quarter of a century. The measure was a complete success throughout, and Mr. Peel accomplished that which he claimed would be its result, viz: the resumption of specie payments by gradual process, without sudden and mischievous derangement of business.

There are no reasons why equal success should not attend an attempt to resume coin payment here upon the same basis, making provisions at the same time to guard against the machinations of bullion speculators, and providing also for all currency which is based upon Government credit. During our civil war gold advanced to over 280, valued in currency, but the decline which followed peace was quite equal to that which ensued in England in 1815. Mr. Peel's bill commenced its operation at no great difference from the rate of gold ruling at that time, and the same principle should guide us in framing any measure based upon that bill, as a successful precedent.

It has been urged, that the plan presented contemplates only the redemption of circulation, and that deposits in the National Banks must also be included as a part of the amount which may be demanded in specie or its equivalent. To this it may be answered, that whenever we attempt resumption under this suggestive plan, we must do it at the beginning at something near the probable price of gold;—then also, we must fix a period during which we can accumulate in the Treasury an amount sufficient to meet all of the probable wants of the business community. These, which are matters of simple calculation, are left to be fixed by Congress. If for example, the accumulation of one hundred millions in the Treasury is considered insufficient, it is easy to fix a period when it will hold one hundred and fifty millions. It is doubtful if any legitimate demand can draw out under the plan, one hundred millions of coin at within five, or even ten per

cent. of the price ruling when the law should be passed, but if there is doubt, the reserve of the Treasury can be increased. Confidence is at the root of all our business transactions—without it, credit could not exist, and the volume of business would either shrink to comparatively petty transactions, or we should resort to a system of barter. It is absolutely necessary to have the medium of exchange securely in possession of the confidence of those who use it, or it ceases to be of use as a medium.

We will suppose therefore, that gold sells in the market at 1.40, and that Government under the outline plan to which we refer, with one hundred millions or more, is ready thirty or sixty days thereafter to redeem at that rate. Is it probable that distrust in the ability of Government would exist to such an extent as to prevent the success of the plan at the outset? If it succeeded at the start, would it not be likely to succeed in all the subsequent reductions?

Many desire a postponement of action upon the subject—considering it unnecessary now to do anything,—but that it will be better to wait until the country recovers from its depression. I do not believe in this procrastination, although it is probable, in view of the pending presidential election, that no action will be taken on the subject. Business men require a definite financial policy,—especially in regard to the return to specie payments. The anti-contraction bill has become a law, and the volume of currency, it is generally understood, is not to be reduced. The power to sell gold however, is still in the hands of the Secretary, and there is no law compelling him to issue or pay out the currency received from such sales. If Government does not require the payment of the currency thus drawn in to the Treasury, it is during the time it is retained, just as much of a contraction as it would be by the absolute destruction of the notes. Here then is a power which may be used to depress values, and to injure the business interests of the country for a time,—which should not be confided to one man. Unless, therefore, Congress stops the sale of gold by the Treasury, we are constantly in danger, and if it stops the sale of gold without at the same time adopting a plan for the resumption of specie payments, the result will be an advance in the market price of gold, which will render resumption by any process more difficult, although much less so, by the gradual plan.

It is desirable to enact some law, by which the mercantile world

can guide itself, and it is a fundamental idea in this plan, that business men will be able to calculate with certainty as to the market value of gold from the period of its adoption.

The proposition to legalize contracts payable in gold, is urged with much force, and the bills not long since introduced in Congress indicate that it has popularity among certain classes. I doubt the practical utility of the measure, so far as it is relied upon to aid in restoring paper to a coin basis, although its adoption may not practically interfere with resumption measures. Should such a mode of dealing become at all general, paper would take its place in the market as an article of merchandize, while gold or gold certificates would become money, as in California, where the price of greenbacks is quoted instead of the price of gold. Meantime old debts would be paid in paper, while the new would from general use, be contracted in coin We should then have three kinds of money, gold or gold certificates for specific contracts—legal tender notes, and National Bank notes Would not confusion follow the adoption of such a measure? And if adopted, what is to become of the six or seven hundred millions of currency? What is the ultimate result, expected by the advocates of this proposition? Many importers have for several years marked the price of their goods in gold, and have therefore been doing business upon the basis proposed. All settlements however are made in currency, by calculating the price of gold when the goods are paid for. If the practice should become universal, and currency should be quoted at its discount,—ruling for example as in California at 65 or 70 per cent. upon the par value, would it not become the practice to use gold certificates in place of our present currency, and would not the natural consequence be the withdrawal of that currency, to be replaced by the new gold notes or certificates? This is probably the real object of the measure, viz: to drive out of circulation the present currency, by gradually substituting gold notes, and thus to compel the withdrawal of a very convenient medium of exchange. Soon after the passage of the proposed measure, we should no doubt find some of the Banks making notes redeemable in coin by the issue of gold certificates, and gradually withdrawing their notes now in circulation. Would not this process after a time become equivalent to a contraction of currency, by permitting some of the strong Banks to issue a species of notes payable in gold on demand, and thus establishing for themselves a credit and reputation, which other Banks would be desi-

rous of emulating, and would not the volume of currency now conveniently used in business be so much contracted, as to cause stringency and trouble? There certainly seems to be no objection to dealing in merchandize at gold valuation, as now done by many importers, nor does it appear that the mere legalizing of contracts made specificially in gold, could be seriously objected to,—unless the design of the originators, is to encourage that mode of dealing to the prejudice of the present paper currency, and thus accomplish its practical extinction. The aggregate amount of specie in this country is perhaps one-half that of the legal tender and Bank note circulation,—hence if specie notes are made to take its place, it is a method of resumption involving perhaps quite as much disturbance in business, as any scheme which has been proposed. The more simple method of coming to the desired result, would seem to be the adoption of measures to bring our paper currency to a specie basis as soon as practicable. To enact laws which throw discredit upon that currency, and consequently render it unpopular, is a very doubtful experiment, and it seems to me far better to take the currency as it stands, and adopt measures which will bring it by gradual process to the specie basis.

The gradual resumption plan as outlined in this pamphlet was presented at a time when gold ruled in the market at about 1.33—hence the first rate of redemption was fixed by way of illustration at those figures. The rate at which redemption should commence must be as nearly as possible the rate of gold at the time it goes into operation, and there is no great difficulty in making such an adjustment. The rate of exchange in the first redemption may be fixed at one per cent. less than the market value, and the sliding scale regulated thereby.

Since the circulation of this pamphlet, Genl. Garfield of Ohio has introduced a bill in Congress, which seems to be based upon the plan, but at the same time appears to have ignored its most important features. Genl. Garfield proposes that on and after Dec. 1, 1868, the Treasury shall redeem legal tenders at one dollar in gold for 1.30 in currency, and at 1.25 on the 1st of July 1869—after which the Treasury is to redeem at rates one per cent. lower every month, until in 1871 the redemtion will be dollar for dollar. The objections to this scheme are, first, that it proposes a rate of exchange more than six months hence, which may be ten or fifteen per cent. less than the market rate·

of gold, and which consequently may be defeated by its apparent undertaking of a doubtful measure. Second, because even if in the first step successful, it marches too rapidly to the conclusion to harmonize with the business interests of the country, and third, because it makes no provision to embrace the National Banks—but leaves them to take care of themselves, and consequently subjects us to an element of disturbance, which we should study to avoid.

The main principle of political economy which guides me in looking to the resumption of specie payments is that embraced in the elements of confidence, and if it is possible to inspire and diffuse that element, I am not at all doubtful of the success of the plan which is based upon it. I would not therefore favor the enactment of any laws, which did not contemplate feasible results, and at the same time maintain the equilibrium of business. Under the burden of taxation we are obliged to bear—it is sound policy to adopt measures to make the business world strong enough to bear it, and we may well distrust all measures which do not consider the distress liable to be inflicted upon the industrial interests of the nation by sudden changes, or by complicated machinery.

Government, by its system of import duties, collects coin in the Treasury to an extent much beyond its requirements for interest on the funded debt. This surplus is now sold according to the discretion of the Secretary, and thus aids in keeping down the premium on gold. It is thus, even now, used to a limited extent, in bringing the value of currency nearer to the value of gold. If we resolve to use this accumulation in the more practical way of redeeming the currency at gradually descending rates—leaving it at the option of the holder of paper to exchange his notes for gold, or not,—how much more effective it would be, when the privilege of exchange is offered to the public to the whole amount of the currency. In order to guard against any possible drain upon the Treasury, it is also proposed to give the Secretary power to receive gold deposits, and to pay such rates of interest thereon as he may deem expedient—such gold deposits not to be withdrawn except on ten days' notice to the Secretary. This provision would render it practicable for the Secretary to guard against any conspiracy among speculators to exhaust the reserves of coin held by the Treasury. There would be very little danger of such an emergency,—for with a basis of one hundred millions

in coin, the Treasury would redeem with ease all that might be presented for exchange, and in the intervals of reduction in rates of exchange would more than gain all it had lost. This result would be ensured, too, by the more active state of business which would follow measures calculated to inspire confidence, and which would increase the revenues of Government from all sources.

I have endeavored in the preceding pages to make the propositions embraced in this plan clear to every business man, and I claim that the measures contemplated point out the most direct and the shortest way to the resumption of specie payments, unless it is desired to run the hazards of a general business derangement by proclaiming an immediate return to the specie basis on legal tenders, without making other provisions for the National Bank notes than those which now exist. I do not deny that this might be consummated by using the power and resources of Government to their full extent, but I believe such action would bring upon us wide spread suffering, and there does not appear to me any necessity for such extreme measures.

It will no doubt be asked, what will be the ultimate condition of the currency after specie payments have been re-established at the par value? Shall we continue the use of the legal tender notes, or shall we withdraw them from use and substitute other currency? To this I answer that I would provide that after one year from the resumption of specie payments, dollar in coin for dollar in paper, the National Banks may be increased to the extent of so much of the legal tender currency as may appear to be necessary for purposes of circulation. It would be unwise probably to adopt such a measure now, but as we progress towards the specie point by the gradual process, it will be fully demonstrated to what extent our currency is redundant, and if it appears that a certain amount of the legal tender notes can be withdrawn and cancelled, while the remainder can be replaced by National Bank notes, it would be a matter of no difficulty to keep up all the circulation required under the National Bank system, and as the National Bank note circulation is issued, withdraw the legal tenders in corresponding amount. In point of fact, the restoration of the specie basis would render legal tenders as such of no more use than National Bank notes, and the sooner these notes were replaced by the others the better—first, because the control of so much currency by Government may be abused and made an engine of political power, contrary to the spirit of our institu-

tions, and second because a uniform currency is preferable, and no currency can be better than one secured by pledge of Government securities—especially when the banks are required to redeem that currency in specie on demand, or forfeit the bonds pledged for redemption of that currency. When currency and specie are equal in market value—or rather when the currency becomes redeemable instead of irredeemable—then coin, which before was an article of merchandize, comes into use as money, and the amount of specie in the country is available as currency. The volume of paper can then be reduced without risk—the legal tenders can be withdrawn and cancelled, and the National Bank currency can be increased to the extent which the business of the country may seem to require. These apparent obstacles will speedily disappear when we can accomplish the grand desideratum, a restoration of specie payments; everything then becomes easy, and until that object is accomplished it is but a waste of time to consider measures which touch upon conjectural consequences—not to be verified or to be met until near the time when it is anticipated they may occur. I disagree with all propositions contemplating the exchange of bonds for notes, and vice versa, seeing nothing in them but an increase of difficulties in resuming specie payments—or which propose to legalize bargains and contracts in gold, because I believe this would but embarrass the question unnecessarily, or in the gradual contraction advocated by Secretary McCulloch, because I believe the business distress occasioned by such contraction tends to defeat the object in view, and I object, in fact, to all plans which do not go simply and directly to the point. There are but two methods, it seems to me proposed which are worthy of consideration—the one is the immediate resumption, which proposes to meet the question boldly, and "run the gauntlet" of consequences, and the other by gradual process, which proposes to go by a sure but longer road to the same destination, and which is designed to avoid business disturbance.

If the plan here outlined should be adopted I believe it would command the confidence of business men, and therefore be sure of success. It is simple, direct, and comparatively safe to the business community. It can, no doubt, be very much improved, but whatever may be the discussions of the financial world, I feel quite confident that the fundamental principles of this plan will ultimately prevail.

Propositions to fund the public debt have been reported in Con-

gress by several distinguished men. The object is to bring all of the public securities to one description, and at the same time to save interest. Not a practicable plan has been yet suggested, except that which conceals a semi repudiation idea in its provisions. If we declare in any shape, through Government, that outstanding bonds will be paid in paper, unless they shall be exchanged for a security bearing a lower rate of interest, principal and interest payable in coin, we can compel the funding of a six per cent. bond into one bearing five per cent.—but if we keep good faith with the purchasers of our securities, and attempt no discredit to outstanding bonds, it will be utterly impossible to induce the funding of the one into the other. This is a self-evident mathematical fact. Thus far, the funding proposals have a concealed threat, which appears designed to avoid the distinct issue. The new five per cent. bonds, for example, are made payable principle and interest in coin, and into these the six per cent. bonds may be converted "at the option of the holder," but the holder is left by the language of the acts to infer that his six per cent. bond may not be payable in coin. I consider this proposed legislation, utterly unworthy of a great people. To enforce such laws would shame us in the estimation of the whole world, and I should consider it more manly and straightforward to declare at once that our five-twenty bonds are payable in the legal tender currency of the country. The true, and in the long run the most beneficial course would be to declare, by act of Congress, that all of the debt of the United States, both principal and interest is payable in coin as it matures. No half measures on this subject will do; we pay in coin, or we pay in paper, and we cannot now by premature acts to consolidate the public debt, get rid of the great responsibility of coin redemption. It is far better, it seems to me, to confine ourselves at present to [illegible] ntemplating the resumption of specie payments, and necessarily to the payment of our debt in coin, or its equivalent, by making coin and paper equal in value as a medium of exchange. If we confine our attention to this, and thus raise the credit and value of our securiies in foreign markets, as well as at home, we shall have no difficulty in ultimately exchanging five or even four per cent. bonds for those outstandng at six per cent. The only true plan of continuing a debt in a consoliated form at a lower rate of interest, is to raise the credit of the securities, and to make them more desirable, than specie. When our loans mature we must be prepared to pay them in coin, or exchange them for

a new loan at a lower rate of interest, and when we can do this, we can consolidate the entire debt without difficulty.

If the specious arguments of those who advocate the payment of the five-twenty bonds in legal tender notes are entitled to any weight, it is fair to take the ground that Government having been obliged to resort to the issue of a paper promise, during a time of war, pledged its good faith to redeem that paper in coin as soon after the war as practicable, and if in the exercise of that good faith the paper currency is brought up to the gold standard, the question of paying in greenbacks ceases to possess any importance, as when Government causes legal tenders to be equal to gold, its privilege to pay off the debt in either is unquestionable. It cannot certainly be assumed that Government issued a promise to pay, and made that promise a legal tender by law, that the promise might be perpetual, and the fulfilment indefinitely postponed. If, then, it is urged that loans like the five-twenties were issued with an implied right to pay the bonds in paper, it was equally implied by the conditions and circumstances which caused the people to accept legal tenders as the money of the country, that such paper was to be redeemed in coin, and it is equally the right on the part of the people to demand coin for legal tenders as it may be for Government to claim the right to pay the bonds in paper. Hence the advocates of forced consolidation, or of paying off the five-twenty bonds in legal tenders may be met on their own ground. If payment in paper is to be insisted upon, that paper, by distinct promise, must be made as good as coin. Or will it be said that Government never intended to redeem its paper in coin, and that its promise to pay on demand never had any significance. The truth is that the good faith of Government is more distinctly and clearly pledged to redeem the legal tenders in coin, than the holders of five-twenty bonds are committed to receive that paper for the bonds, when the option of Government commences, and there is involved in this question of mutual good faith between a necessitous Government, which borrows of a generous and confiding people, an amount of litigous consequences not pleasant to comtemplate. If we can make the legal tender note an equivalent for coin, the question is settled, and to that result we should hasten as rapidly as possible,—looking carefully, generously and tenderly to the business interest of the country, which embraces within its ample folds, the employers and the employed.